

STATEMENT OF PURPOSE

RS18537C2

This bill would increase the state tax on motor fuel by a total of ten cents (2 cents/gallon per year) over a period of five years. The fuel tax would increase from the current twenty-five cents per gallon to: twenty-seven cents/gallon effective April 1, 2009; twenty-nine cents/gallon effective April 1, 2010; thirty-one cents/gallon effective April 1, 2011; thirty-three cents/gallon effective April 1, 2012; and thirty-five cents/gallon effective April 1, 2013. An amount equivalent to the net increase in motor fuel tax exceeding twenty-five cents/gallon will be deposited to a new "Idaho Highway, Bridge and Railroad Crossing Fund". Moneys in this new fund shall be expended exclusively for the construction, maintenance and operations of the highway system.

FISCAL NOTE

Fuel Tax Increase: Each one cent increase in the fuel tax generates approximately \$8.8 million in revenue to the Highway Distribution Account (HDA). A two cent/gallon increase in the fuel tax would generate approximately \$17.6 million annually. The additional annual revenue generated by the two cent/gallon increase for five years would be:

FY 2010: \$17.6 million
FY 2011: \$35.2 million
FY 2012: \$52.8 million
FY 2013: \$70.4 million
FY 2014: \$88.0 million

NOTE: In recent months, motor fuel distributors in Idaho have greatly increased the amount of fuel being blended as 10% ethanol. This increase in the amount of fuel being blended as gasohol will decrease the amount of revenue being derived from each gallon of fuel sold in Idaho due to the gasohol exemption of 2.5 cents/gallon. (Nine gallons of gasoline taxed at 25 cents/gallon blended with one gallon of ethanol not taxed is equal to 10 gallons of gasohol taxed at 22.5 cents/gallon.) At this time it is not known how much gasohol is being sold in the State, but if 25% of the approximate 660 million gallons of gasoline taxed in Idaho annually were gasohol, this would result in a loss in revenue of \$4.13 million a year from amounts shown above. If 50% of the total 660 million gallons were ethanol, eliminating the exemption would add \$8.2 million annual revenue to the HDA. At 75% of the total, the amount of annual revenue would be \$12.3 million.

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